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Spain Enacts Country of Origin Labeling for Dairy and Dairy products

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Report Highlights:

On September 21, 2018, the Spanish Council of Ministers approved the Royal Decree establishing Country of Origin Labeling requirements on fluid milk and milk products made and marketed in Spanish territory. Given the general disposition of this decree and the current composition of U.S. dairy exports to Spain, Post does not anticipate an immediate impact on U.S. dairy trade to this market.

Executive Summary

By [Royal Decree 1181/2018](#), approved on September 21, 2018, the Spanish government established the mandatory country of origin labeling for the milking and the processing of milk and dairy products manufactured and marketed in Spain. According to a Spanish government [website](#), 88 percent of Spanish consumers demand the labeling of dairy products to "clearly and reliably" specify the origin of milk ingredients.

This is the first time that Spain enacts mandatory labeling of a food product on its own initiative and without a direct mandate from the European Commission. EU regulations currently in place on consumer information, particularly food labeling, are voluntary for each Member State. In order to give the domestic dairy industry time to adapt, Spain will start implementing mandatory labeling four months after its publication in the Official State Gazette (January 23, 2019). This Royal Decree (RD) is reportedly experimental, as it will apply for a period of two years. It also codifies a voluntary domestic industry practice already enforced by some of the major Spanish dairy manufacturers.

Ninety-nine percent of the total Spanish dairy imports come from other EU countries. Outside of EU suppliers, the United States is Spain's primary dairy supplier. In 2017, Spanish imports of U.S. dairy products were \$13 million (See Table 1). The main U.S. dairy products exported to Spain are milk albumin, cheese, whey and ice cream. Given the current composition of U.S. dairy exports to Spain and the fact that the mandatory labeling is for products manufactured and marketed in Spain, Post does not expect the labeling to have an immediate impact on U.S. trade to Spain.

General Information

On September 21, 2018, the Spanish government established the obligation to include the country of origin on labeling for milk and dairy products manufactured and marketed in Spanish territory. Spain's new mandatory labeling follows a series of similar regulations already in place in other Member States such as France, Italy and Portugal.

Responding to a proposal by the Spanish Ministry of Agriculture, Fisheries and Food, the Spanish Council of Ministers approved the Royal Decree establishing the obligation to include country of origin in the labeling for fluid milk and milk products produced and marketed in Spain. The scope of the Royal Decree includes milk from cow, sheep, goat and buffalo. Labeling will require companies to indicate the origin of the milk used as an ingredient when it represents a percentage higher than 50 percent of total ingredients used expressed in weight. According to a Spanish Government Website, the regulations respond to the needs of the current Spanish consumer, who values transparency and information on the origin of the food consumed.

With this measure, the labeling of milk and milk products made and marketed in Spain must identify the "Country of Milking" and the "Country of Processing" of the milk used as raw material. For example, when the country where milking and/or processing takes place is exclusively Spain, "Spain" should always be indicated and cannot be substituted by the expression "EU." However, when the milk is not exclusively Spanish, the label will have to indicate "Country of Milking" and "Country of Processing," followed by the name of the Member State (MS) or "EU," "outside the EU", or "EU and outside the EU." In this manner, the labeling of these products will clearly distinguish product milked and processed in Spain.

The Royal Decree affects the following products:

HS Codes	Dairy Products
0401	Milk and cream, not concentrated nor containing added sweetening
0402	Milk and cream, concentrated or containing added sweetening
0403	Buttermilk, Curdled Milk And Cream, Yogurt, Kephir Etc., Whether Or Not Flavored Etc. Or Containing Added Fruit Or Cocoa
0404	Whey And Other Products Consisting Of Natural Milk Constituents, Whether Or Not Concentrated Or Sweetened, Nesoi
0405	Butter And Other Fats And Oils Derived From Milk
0406	Cheese And Curd

The approval of this Royal decree marks the first time Spain imposes mandatory country of origin labeling on a food product without a European Commission mandate. This mandatory labeling is reportedly experimental, as it will apply for a period of two years. In order to give time for the entire domestic industry to adapt, Spain will implement the Royal Decree four months from its publication on the Official State Gazette (January 23, 2018). Concerning products legally manufactured before the date of enforcement, companies can market these products until the end of their stocks.

Responding To Spanish Consumer Demand

According to a Spanish government Website, with this Royal Decree, Spanish consumers will be able to have information about where the dairy products they purchase are milked and processed. As noted in some surveys, Spanish consumers want to know the origin of the food they buy. Eighty-eight percent of Spanish consumers, 4 percent more than other European consumers, consider it necessary to identify the origin of the milk as a product and as an ingredient in other dairy products. In addition, 86 percent of dairy distributors consider that the identification of Spanish origin would increase their milk sales.

It is important to note that the country of origin labeling is not a new industry practice. Industry sources report that some of the major Spanish dairy companies voluntarily put in place the country of origin

labeling a few years ago in response to consumer demand. The Royal Decree codifies and expands a current industry practice to the entire industry.

No immediate impact on U.S. dairy products exports to Spain

In 2017, Spain's total dairy imports were valued at \$2.3 billion. Ninety-nine percent of these imports came from other Member States and comprise of cheese, ice cream, yogurt, and milk powder. Also in 2017, Spanish imports of U.S. dairy products were \$13 million, rendering the United States as the primary non-EU dairy supplier to the Spanish market. The main U.S. dairy products shipped to Spain are milk albumin (valued at \$12.7 million), followed by cheese, whey, and ice cream (see Table 1). During the first semester of 2018, Spain's dairy products imports from the U.S. were \$5 million, 9.7 percent higher compared to the same period last year.

Given the current composition of U.S. dairy exports to Spain and the general disposition of this Royal Decree for fluid milk and milk products produced and marketed in Spain, Post does not expect it to have an immediate impact on U.S. dairy exports to Spain.

Table 1. Spain's Dairy Products Imports from The United States 2015-2017, USD

Spain Import Statistics From United States								
Commodity: Dairy Products, (2017)								
Calendar Year: 2015 - 2017								
Commodity	Description	United States Dollars			% Share			% Change 2017/2016
		2015	2016	2017	2015	2016	2017	
Dairy Products	- 2017	14339957	16030733	12950613	100	100	100	-19.21
350220	Milk Albumin,Inc Concen Of 2 Or More Whey Proteins	13799281	14837622	12774493	96.23	92.56	98.64	-13.9
040630	Cheese, Processed, Not Grated Or Powdered	503866	508169	75053	3.51	3.17	0.58	-85.23
040690	Cheese, Nesoi, Including Cheddar And Colby	13799	130568	51510	0.1	0.81	0.4	-60.55
040410	Whey & Modfd Whey Whet/Nt Cncntrtd Cntg Add Sweetn	175	25068	31004	0	0.16	0.24	23.68
210500	Ice Cream And Other Edible Ice, With Cocoa Or Not	0	0	15235	0	0	0.12	n/a
190110	Food Preparations For Infants, Retail Sale Nesoi	24	8470	1074	0	0.05	0.01	-87.32
170211	Lactose & Lactose Syrup Cont 99% More Lactse By Wt	224	513017	1020	0	3.2	0.01	-99.8
040310	Yogurt, W/N Sweetened, Flavored Or Cntg Fruit/Coco	0	147	523	0	0	0	256.6
170219	Lactose In Solid Form And Lactose Syrup, Nesoi	174	495	257	0	0	0	-48.16
040210	Mlk & Crm,Cntd,Swt,Powdr,Gran/Solids,Nov 1.5% Fat	0	382	237	0	0	0	-38.01
040299	Milk And Cream, Sweetened, Concen Or Not Nesoi	89	0	98	0	0	0	n/a
040221	Mlk/Cream Cnctrd Nt Swtn Pwd/Oth Solids Ov 1.5% Fa	0	0	70	0	0	0	n/a
350190	Caseinates & Other Casein Derivatives; Casein Glue	0	2210	39	0	0.01	0	-98.22
040390	Buttermilk/Kephir/Curdled Fermntd Acidfd Mlk & Crm	14	8	0	0	0	0	-100
040490	Products Of Natural Milk Constituents, Nesoi	10149	0	0	0.07	0	0	n/a
040510	Butter	3907	0	0	0.03	0	0	n/a
040520	Dairy Spreads	13	0	0	0	0	0	n/a
040590	Fats And Oils Derived From Milk, N.E.S.O.I.	8243	4469	0	0.06	0.03	0	-100
350110	Casein	0	108	0	0	0	0	-100

Source: Global Trade Atlas